

**July-September 2002**

US Department of Housing and  
Urban Development  
451 7<sup>th</sup> Street, S.W.  
Washington, DC 20410

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# **Quarterly Report to Congress**

## **CDBG Funds for Recovery from and Response to the September 11, 2001 Terrorist Attacks on New York City**

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Grantees:  
Empire State Development Corporation  
and  
Lower Manhattan Development  
Corporation

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## Executive Summary

Since September 11, 2001, Congress has appropriated \$3.483 billion of supplemental Community Development Block Grant (CDBG) funds for recovery from and response to the terrorist attacks on New York City. Congress requires HUD to report quarterly to the House and Senate Appropriations Committees on the uses of these grants. This is the second report on the \$700 million grant to New York State's Urban Development Corporation, a New York public benefit corporation doing business as the Empire State Development Corporation (ESDC). This is the first report on activities under way on the second grant, \$2.0 billion to the Lower Manhattan Development Corporation (LMDC), of which \$655,892,500 has been made available for expenditure. LMDC has not yet submitted an action plan to HUD for the remainder of the \$2.0 billion or for the third grant of \$783 million.

The largest activities under these grants assist small businesses. To date more than half of the grant funds budgeted (\$506,000,000 out of \$700,000,000 approved for ESDC and \$210,000,000 out of \$655,892,500 approved for LMDC) target small businesses. According to the line of credit control system (LOCCS), as of November 29, 2002, the grantees had already expended \$355,560,582 for these activities.

ESDC received a \$700 million disaster recovery grant February 13, 2002, after submitting a final *Action Plan* budgeting the entire grant. At the time, this was the largest single grant in the history of the CDBG program, though soon to be eclipsed by the larger grants designated for LMDC. Through September 30 – the end of the reporting period – LOCCS showed that ESDC had drawn \$311,701,553 for grant activities. During this report period, ESDC submitted amendments to its *Action Plan* primarily to remove a planning activity now covered by LMDC and reprogram the funds to the Small Firm Attraction and Retention program.

LMDC, created to coordinate rebuilding at the World Trade Center and the revitalization of Lower Manhattan, is a New York public benefit corporation and a subsidiary of ESDC. LMDC submitted a partial *Action Plan* to HUD for \$305,892,500 of its \$2 billion grant. In November, HUD approved LMDC's second partial *Action Plan*, which budgeted \$350 million, primarily for small business assistance activities administered by ESDC. With the approval of this second partial plan, this grant becomes the largest single grant in the history of the CDBG program. Through September 30, LMDC had drawn \$1,627,312 for grant activities covered by its first partial *Action Plan*.

ESDC and LMDC have the responsibility for day-to-day management of grant programs. HUD is responsible for ensuring they manage the grant in accordance with all program requirements. HUD program staff carried out no formal on-site monitoring of grant activities during the reporting period, though HUD staff continually provide technical assistance and grant oversight both on-site in New York City and from Washington. HUD program staff monitored the grant activities of LMDC in October on-site in Manhattan. The Department will issue the management review report shortly.

The HUD Office of Inspector General is starting to review LMDC's activities. After its review of ESDC, the only issues the Inspector General raised related to avoidance of duplication of benefits among federal programs and to determination of economic loss in the BRG program. In response to the first issue, in consultation with the Small Business Administration (SBA) and ESDC, HUD developed a procedure including formulas for ESDC to use in making determinations of duplication of benefits. In the area of economic loss determination, ESDC agreed to initiate a verification survey of a sample of businesses that received a BRG before May 20, 2002, which is the date the revised "Application for WTC Business Recovery Grant Program" was placed into use. ESDC anticipated that this verification survey would be completed by December 31, 2002. These are the November 13, 2002, final actions on recommendations included in the Office of Inspector General's interim report,

number 2002-NY-1802 dated May 22, 2002, on the Community Development Block Grant disaster assistance program funding for New York City.

This quarterly report covers the funding process, HUD management of the grant, grant terminology, data and narratives from the grantees' quarterly reports to HUD, an introduction to the supplementary data provided by ESDC and LMDC, and program requirements.

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## HUD Management

The grants covered by this quarterly report are Community Development Block Grants (CDBG). HUD tailored the rules of the CDBG program to the recovery needs of this disaster using waivers and alternative requirements published in the *Federal Register*. What HUD did not change is the fundamental principle under the CDBG program that design of program activities and day-to-day management of the grant is the responsibility of the state or local government grant recipient. HUD reviews the grantee's systems and results, but does not choose which activities or programs to assist.

**Monitoring.** In addition to constant involvement on-site and at headquarters with oversight and technical assistance, HUD Community Planning and Development (CPD) staff conduct management reviews, also known as grant monitoring visits, at least twice yearly. ESDC was monitored on site in May. Few issues resulted from that monitoring and all were satisfactorily and promptly resolved. HUD carried out no on-site monitoring at either LMDC or ESDC during the reporting quarter (July-September 2002). HUD staff did monitor LMDC in October and will issue a report on that visit shortly. Because ESDC and LMDC are new disaster grantees unfamiliar with CDBG program rules, during the management reviews HUD has assessed grantee compliance comprehensively, looking at all major areas, such as fundability, financial management, environmental reviews, and subrecipient management. As time goes on and HUD accumulates information about grantee management systems and performance, HUD will be able to apply risk analysis and design more targeted reviews.

**Reports.** In accordance with established procedures for CDBG disaster recovery grant reporting, ESDC and LMDC are providing their quarterly performance reports to HUD via the Disaster Grant Recovery Reporting (DRGR) online reporting system. At the time Congress appropriated the funds received by ESDC, HUD was just about to begin testing a major upgrade of the DRGR system. ESDC agreed to be one of the "live beta-testers" for the new version of DRGR, which has now been rolled out nationwide. HUD is continuing to upgrade the system to better serve the management information needs of all its disaster recovery grant recipients, including ESDC and LMDC. ESDC and LMDC plan to post their quarterly reports on their respective web sites as HUD approves them. Both grantees are current on their DRGR reports.

With the quarterly reports, ESDC and LMDC are providing supplementary data from their grant management information systems to program staff and to the Inspector General. At the end of this report HUD staff provide an introduction to the supplementary data.

**Note on definitions.** The report below uses the terms "expended," "obligated," and "budgeted" in their CDBG sense. In this context, "budgeted" generally means the amount of funds budgeted in the *Action Plan*. In its DRGR submissions, LMDC further detailed budgeting for specific planning and administrative activities, which may or may not be broken out as specifically in the regular CDBG program. The term "obligated" means the grantee has entered into a contractual or other legal obligation to use grant funds for the activity. For example, obligation of funds happens when a contract is signed, a subrecipient agreement is executed, or a member of the grantee staff works and turns in time sheets. The term "expended" means the grantee has drawn grant funds from its line of credit with the U.S. Treasury and applied those funds to pay or reimburse itself for the activity.

## **Empire State Development Corporation's Report - Overview**

The text that follows is drawn from ESDC's submission to HUD via the October 2002 DRGR quarterly report for activities other than planning and administration. The report covers grant activities and cumulative expenditures through the quarter running from July 1 to September 30, 2002.

The largest ESDC activity is the WTC Business Recovery Grant (BRG) program, which provides payments for economic loss to small businesses in Lower Manhattan. As of September 30, ESDC had expended \$288,561,354 on this activity. Through September 30, 2002, ESDC reported cumulative administrative expenditures of \$3,290,700 to deliver \$305,827,571 in expenditures for grant-funded activities.

The *Accomplishment Measures* tables show data submitted in DRGR for the same time period. Accomplishments data are only shown in the tables if the grantee has already expended HUD grant funds for the activity. The use of the term "wage-earner" is explained in the Supplementary Data narrative at the end of this report.

The ESDC narratives that follow are:

- Overall Narrative of HUD Quarterly Report
- WTC Business Recovery Grant Program (BRG)
- Small Firm Attraction and Retention Grant Program (SFARG)
- WTC Business Recovery Loan Program (BRLF)
- Technical Assistance Services Grant Program (TA)
- WTC Disaster Recovery Bridge Loan Program (BRIDGE)
- Job Creation and Retention Grant Program (JCRP)
- Additional Compensation to Lower Manhattan Businesses (BRG2)
- Business Information Program (BIP)

The original ESDC *Action Plan* budgeted \$25 million for infrastructure planning activities to be carried out by Lower Manhattan Development Corporation (LMDC). During this quarter, ESDC amended its *Action Plan* to reallocate these funds to augment the Small Firm Attraction and Retention Grant program.

**ESDC Overall Narrative of HUD Quarterly Report**

<b>Funds</b>	
Total Projected Budget	\$700,000,000
Total HUD Disaster Recovery Funds	\$700,000,000
Obligated HUD Disaster Funds to September 30	\$462,394,625
Unobligated HUD Disaster Funds to September 30	\$237,605,375
Cumulative HUD Disaster Funds Expended to September 30	\$309,118,271

The anniversary of the September 11 attacks on the World Trade Center provided many opportunities to reflect on the profound loss we suffered on that day. It was also an occasion to appreciate our remarkable progress toward recovery from the disaster and to recognize how far we must go to meet the needs of New Yorkers still struggling to continue.

The programs funded by the \$700 million federal appropriation implemented by the Empire State Development Corporation (ESDC), in cooperation with the New York City Economic Development Corporation (EDC), have made a significant contribution to that recovery effort thus far. By providing much-needed disaster recovery assistance, these programs have helped many small and large businesses to remain in Lower Manhattan and to provide incentives to businesses that had left the area as a result of the attacks to relocate downtown. These efforts have provided the necessary support required to stabilize, maintain, and restore the economic base of Lower Manhattan. To provide additional funding for key business recovery programs, LMDC published a partial *Action Plan* August 27, 2002, to allocate \$350 million as supplemental funds to three ESD managed programs, including \$150 million for the Job Creation and Retention Grant Program, \$150 million for Business Recovery Grant Program, and \$50 million for the Small Firm Attraction and Retention Grant Program. The public comment period on the partial *Action Plan* closed September 13, 2002.

Progress to date has been substantial in meeting program goals measured in terms of number of businesses assisted and total employment at assisted firms. As of September 30, 2002, the WTC Business Recovery Grant Program (BRG) awarded over 10,000 grants to over 8,700 small businesses, which represent 44% of estimated demand originally envisioned by the program. BRG-assisted businesses employ over 104,000 people, or almost half of the estimated total employment at eligible businesses initially envisioned by the program. In response to the need for enhanced benefits, especially from businesses located in the areas closest to Ground Zero, ESDC modified the BRG program to provide grants reflecting additional days of loss compensation. The expanded program benefits may induce a number of businesses that had not yet applied for assistance to do so. BRG progress may actually be more significant if we consider that initial estimates of affected businesses in the final *Action Plan* may have been overstated, given the difficulty in obtaining information on the number of businesses impacted and the extent of economic loss suffered.

There may be a number of potentially eligible small businesses that have not applied for BRG assistance. The Business Information Program continues its outreach to these small businesses in an effort to encourage them to take advantage of this program before the deadline for receiving applications on December 31, 2002. Although we anticipate a number of continuing applications, it may be unlikely that the number of firms participating in the BRG program will ultimately reach initial estimates.

The volume of grants disbursed through the Small Firm Attraction and Retention Grant Program (SFARG) has increased substantially over the reporting period but progress remains modest with respect to program goals. This demonstrates the continuing difficulty small businesses face in planning strategically in this recovery period and the uncertainties they confront in making commitments to remain in Lower Manhattan or elsewhere in New York City. The pace of progress in

the SFARG program will tend to reflect the pattern of lease renewals as these proceed for small businesses in New York City.

The WTC Job Creation and Retention Grant Program (JCRP) has made significant progress in meeting its goals. As of September 30, based on 60 accepted offers (which include 32 offers approved by the ESDC Board of Directors), the program has contributed to the commitment to retain or create 50% of the estimated 80,000 jobs at targeted businesses referenced in the final *Action Plan*. Among the companies benefiting from JCRP program assistance are some of New York's largest employers: The Bank of NY, American Express, the American Stock Exchange, and Aon. The JCRP program is contributing significantly to the revitalization of Lower Manhattan.

While participating lenders in the WTC Disaster Recovery Bridge Loan Program enrolled a total of 950 loans, the rate of loan enrollment has slowed over the reporting period. This may reflect a number of factors including the reduced volume in SBA lending for disaster recovery.

Community-based lenders in the WTC Business Recovery Loan Program (BRLF) estimate demand for small business loans at about \$104 million. Once contracts with the approved 10 participating community-based lenders are concluded, an initial \$44.2 million will be made available for low-cost working capital loans through BRLF.

As of September 30, the Technical Assistance Grants to Service Providers Program (TA) has concluded contracts with 23 approved service providers to offer non-financial technical assistance, such as business needs assessment, marketing, and legal, accounting, real estate and referral services. TA contractors are providing assistance to 562 businesses that employ nearly 4,000 people.

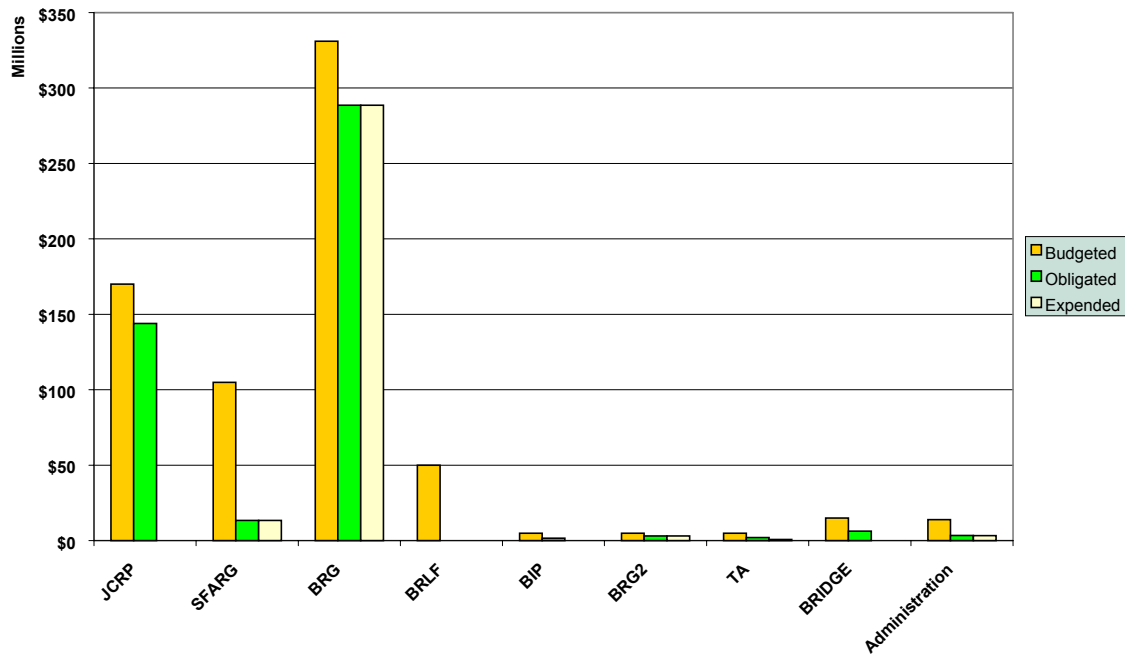
Program achievements thus far reflect in large part the extensive outreach and marketing efforts undertaken by the Business Information Program. Cooperation between ESDC and EDC has resulted in the effective use of two web sites, two toll-free phone lines, and the operation of two Business Recovery Centers to distribute program information, respond to questions about disaster programs and resources, and to assist small business owners in completing applications. As of September 30, staffs at the two walk-in Business Recovery Centers have assisted over 22,200 small business owners.

Print ads are placed in the major metropolitan newspapers and a number of community-based and foreign language papers with millions in total readership. In addition, a direct mailing campaign and a Lower Manhattan "walk-about" in July resulted in direct outreach to thousands of small businesses. In addition, over 700 air times on five major New York City radio stations were purchased for radio spots which ran July 15-September 2, 2002. Further program efforts will be directed to marketing the SFARG program in real estate publications and print ads targeting real estate executives, brokers and agents, and through on-line advertising. While difficult to estimate, the extensive efforts of the Business Information Program have very likely reached a significant proportion of the estimated 100,000 businesses in New York City that could benefit from program assistance and other disaster recovery resources.



### HUD Disaster Recovery Funds Budgeted, Obligated, & Expended by Activity

data from ESDC report as of September 30, 2002



**WTC Business Recovery Grant Program (BRG)**

<b>Funds</b>	
Total Projected Budget	\$331,000,000
Total HUD Recovery Funds	\$331,000,000
Obligated HUD Recovery Funds to September 30	\$288,561,354
Unobligated HUD Recovery Funds to September 30	\$42,438,646
Cumulative HUD Recovery Funds Expended to September 30	\$288,561,354

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Low/Mod Wage Earners & Proprietors	NA	68,897
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	NA	46,633
# Wage Earners/Proprietors	NA	104,329
# of Businesses	19,600	8,722
# of non-business organizations	NA	287

As of September 30, 2002, the WTC Business Recovery Grant Program (BRG) had assisted more than 8,722 small businesses in Lower Manhattan, disbursing over 10,380 grants totaling \$275,144,817. (Please note that the total grant amount as of September 30, 2002 reported in this narrative is different from the cumulative funds expended as reported for this period, reflecting a brief time lag between the actual disbursement by ESDC and its recording in the database from which this report is derived.) The average grant size for this program for the period was \$26,507. The total value of grants disbursed for the period represents over 83% of the \$331 million allocated to the BRG Program. Of the 14,293 applications received, 3,171 were pending approval. Only 562 (or 4%) were determined to be ineligible.

Total direct employment at the establishments of BRG-assisted businesses in the eligible area during this period was approximately 104,329, with an average number of 10 employees per grant recipient. The average value of BRG grant disbursed was nearly \$2,637 per employee at assisted businesses. Sixty-six percent of total employment at assisted establishments (or 68,897 wage earners and proprietors) was low and moderate-income earners (defined as annual income up to \$50,250). Low-income earners (defined as less than \$31,400 per annum) reflected 45% of total employment (or 46,633 wage earners and proprietors).

If performance measures are viewed by sub-areas within the eligible area, the BRG Program clearly shows that most of the grants disbursed went to small businesses in the Restricted Zone and the area surrounding it south of Canal Street. These two areas are closest to Ground Zero where businesses suffered the greatest physical damage and economic dislocation. A total of 7,192 grants, or 69% of all BRG grants for the period, was disbursed to businesses in these two areas, with a value of \$232.8 million (or 85%) of the total funds disbursed.

The Business Recovery Grant Program has made significant progress toward its goals for disaster recovery in Downtown Manhattan. Over 70% of the approximately 20,000 small businesses south of 14<sup>th</sup> Street applied for assistance through the program.

The BRG Program has also made significant progress toward the retention of the estimated 225,000 jobs in the eligible area stated in the final *Action Plan*. The income earners at BRG-assisted businesses in this period represent over 46% of the estimated total employment at risk. Given the difficulty in estimating demand for program assistance and the possibility that the estimate that appears in the final *Action Plan* may have been overstated, progress for the BRG program may actually be

greater. The inability to obtain reliable estimates of impact in the early period after the attacks did not allow for a reliable initial benchmark.

Over the year since the attacks on the World Trade Center, small businesses have struggled to recover and to rebuild in Lower Manhattan. BRG grants used to compensate businesses for economic loss have provided significant assistance to recipients to re-start or maintain their operations and employment downtown while helping to restore the life of the community in the area. Beginning in August, in an effort to respond to the on-going critical needs of small businesses in Lower Manhattan, the Empire State Development Corporation, in cooperation with the New York City Economic Development Corporation, enhanced the BRG program to offer additional recovery funds. Eligible businesses, including previous recipients of BRG grants, are now eligible for additional days of loss compensation. Eligible businesses located in the areas of 14<sup>th</sup> Street to Houston, Houston to Canal, South of Canal, and the Restricted Zone now qualify for 3, 5, 7, and 25 days of gross revenues, respectively. This is an increase from the original program of 2, 3, 5, and 10 days in these areas, respectively. Grant amounts are still limited by the zone caps and the businesses' estimated net economic loss. As of September 30, 1,516 supplemental BRG grants totaling \$27,590,962 in additional assistance were disbursed to eligible businesses that had previously received grants from the program. To provide additional funding for BRG and other key business recovery programs, LMDC published a partial *Action Plan* on August 27, 2002, to allocate \$350 million as supplemental funds to three ESDC-managed programs, including \$150 million for BRG, \$124 million for the Job Creation & Retention Grant Program, and \$76 million for the Small Firm Attraction & Retention Grant Program. The public comment period on the partial *Action Plan* closed on September 13, 2002.

The Business Recovery Grant Program has responded to many different needs and contributed in meaningful ways to the success of many recovery efforts of both for-profit businesses and not-for-profit organizations.

Statements in letters to ESDC and EDC, as well as comments expressed to staff members at the two downtown Business Recovery Centers tell of how important BRG Program assistance was for their recovery efforts:

- World Trade Jewelers/Golden Nugget Jewelers was located at 599 WTC Concourse at the time of the attacks and was completely destroyed. The company received \$69,326 in BRG program assistance. In describing his experience, business owner Alan Shabot said, "The program has gone as well as anyone could have asked for. I found it easy and fair...Under the situation, all grants were really needed in helping us start a new venture to help replace our lost location in the World Trade Center."
- Ginetti Operating Corp., a retailer who employs 11 people, was located at 261 Broadway in the Restricted Zone at the time of the attacks. The company suffered considerable economic loss and received a grant for \$208,114. Owner Jonathan Kort described the BRG Program as "by far the most helpful disaster recovery program around. The grant made a big difference at a time when our business losses were great. Program staff could not have been more sympathetic or more helpful."
- DeSena & Kafer, PC, a law firm located at 255 Broadway in the Restricted Zone, required assistance to help with clean-up and to meet operating expenses to reopen its practice. Ralph DeSena, expressing his gratitude said, "It's comforting to know that my government cares about small business and shares my loss."
- Alan Gaynor & Company, PC, an architecture and design firm located on Broadway in the Houston-Canal area, employs 10 people and received a grant of \$53,009 (with supplement). Alan Gaynor, Managing Principal, told us that, "The grant has enabled us to hire back some of the staff we were forced to lay off after Sept. 11, 2001...All too often it is easy to criticize that which is weak about our government, and to forget to acknowledge the many good things that are provided for

us. Therefore, we'd like to share our gratitude and appreciation to all of the members of your organization for organizing and administering this valuable program."

- Safeway Holdings, a stock brokerage on Wall Street in the South of Canal area, employs 11 people and received a grant of \$77,644 (with supplement). Robert Dowling of Safeway Holdings said that, "We applied for the WTC BRG and received some money that will indeed pay off some outstanding bills and get us "back on our feet". The process was quite easy and the people who helped us were very professional. Oftentimes, we get distracted in business and forget to recognize the people who were instrumental in achieving the final result."
- Fitzgerald Brunetti is a multimedia production and advertising company located on Greenwich Street in the South of Canal area. The company employs 6 people and received a grant of \$65,393. John Fitzgerald, President, in a letter to Governor Pataki wrote that, "The WTC Recovery Program is an inspired program and you and the people behind it deserve congratulations. I was impressed not only with the concept of the program, but marvel at its execution. Never before have I been to a government office that displayed the professionalism and "kindness" that the people at the WTC Rector Place office showed to me. Never before have I seen such a well-organized and efficient process."

The H.T. Dance Company is a not-for-profit dance theatre and school located on Mulberry Street in the South of Canal area. The organization received a \$12,422 grant. Dian Dong, Associate Director, said "Thanks to assistance available to non-profit arts organizations below 14th Street, our company, school and theatre are able to maintain operations...The events of September 11th have deepened all of our commitments to the renewal of the human spirit and belief in its capacity to create."

**Small Firm Attraction and Retention Grant Program (SFARG)**

<b>Funds</b>	
Total Projected Budget	\$105,000,000
Total HUD Recovery Funds	\$105,000,000
Obligated HUD Recovery Funds to September 30	\$13,439,000
Unobligated HUD Recovery Funds to September 30	\$91,561,000
Cumulative HUD Recovery Funds Expended to September 30	\$13,439,000

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Low/Mod Wage Earners & Proprietors	NA	3745
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	NA	1959
# of Businesses	200	271
# of Persons Benefiting	80,000	6781

As of September 30, 2002, the Small Firm Attraction and Retention Grant Program (SFARG) had assisted 271 businesses in Lower Manhattan, providing 274 grants totaling \$12,744,750 in program funds disbursed. (Please note that the total grant amount as of September 30, 2002 reported in this narrative is different from the cumulative funds expended as reported for this period, reflecting a brief time lag between the actual disbursement by ESDC and its recording in the database from which this report is derived.) The average grant size for this program for the period was \$46,514. The total value of grants disbursed for the period represents about 16% of the \$80 million initially allocated to the SFARG Program. Of the 421 applications received during the reporting period, 146 are pending approval and 71 were determined to be ineligible, in most instances, due to ineligible lease expiration date or lease execution date.

Total direct employment at establishments of SFARG-assisted businesses was 6,781, with an average number of 25 employees per grant recipient. Fifty-five percent of total employment at assisted establishments (or 3,745 wage earners and proprietors) were low- and moderate-income earners (defined as annual income up to \$50,250). Low-income earners (defined as less than \$31,400 per annum) reflected nearly 29% of total employment (or 1,959 wage earners and proprietors).

The final *Action Plan* limited program eligibility to businesses with no fewer than 10 and no more than 200 employees. In May 2002, the program was modified to extend eligibility to businesses with fewer than 10 employees. Extending the SFARG program to businesses with fewer than 10 employees creates the potential for assisting approximately 7,000 additional small businesses located in the area south of Canal Street. The amended *Action Plan*, approved in August 2002, supports the anticipated additional demand for assistance from the expanded SFARG Program by reallocating \$25 million from the Lower Manhattan Development Corporation to the SFARG Program. In addition, a partial *Action Plan* published by LMDC on August 27, 2002, allocates another \$76 million to SFARG out of a total \$350 million in supplemental funds to three ESDC-managed programs. The public comment period on the partial *Action Plan* closed on September 13, 2002.

### WTC Business Recovery Loan Program (BRLF)

Funds	
Total Projected Budget	\$50,000,000
Total HUD Recovery Funds	\$50,000,000
Obligated HUD Recovery Funds to September 30	\$0
Unobligated HUD Recovery Funds to September 30	\$50,000,000
Cumulative HUD Recovery Funds Expended to September 30	\$0

Accomplishment Measures	Expected	Cumulative to Date
# of Persons Benefiting	15,000	0

Eleven community-based lenders responded to a Request for Proposals published in the *New York State Contract Reporter* by the deadline on July 20, 2002. These community-based lenders requested a total of more than \$104 million in World Trade Center Business Recovery Loan Program (BRLF) funds based on their estimates of demand for the program. One of the applicant organizations was determined to be ineligible because it lacked prior experience as a lender. After a careful review process undertaken by Empire State Development Corporation, the remaining ten applicants were deemed to be eligible and to have the institutional capacity to effectively deliver the program.

A total of \$44,190,000 was allocated to these ten lenders, who were notified of the allocation on September 17, 2002. One approved lender subsequently declined to participate in the program. The rest of the month was spent finalizing the draft contract for the program, which was sent to the remaining nine lenders on October 7, 2002. The first contract was signed on October 18, 2002 and the remaining organizations are expected to be under contract shortly.

### Technical Assistance Services Grant Program (TA)

Funds	
Total Projected Budget	\$5,000,000
Total HUD Recovery Funds	\$5,000,000
Obligated HUD Recovery Funds to September 30	\$2,054,720
Unobligated HUD Recovery Funds to September 30	\$2,945,280
Cumulative HUD Recovery Funds Expended to September 30	\$792,360

The Technical Assistance Grants to Service Providers program (TA), is allocated up to \$5 million in grant funds to selected organizations through a competitive process to provide technical assistance services to small businesses located below 14<sup>th</sup> Street that have been affected by the WTC disaster. Technical assistance services may include: assisting identified groups in accessing disaster funds, helping businesses achieve recovery and their targeted redevelopment objectives, and assisting identified businesses with legal, insurance, business management, marketing and attraction efforts.

Most projects were scheduled to begin in August 2002 and are expected to conclude by August 31, 2004. Each service provider is contributing at least 50% of the grant amount in matching funds or in kind services.

As of September 30, 2002, TA program guidelines were finalized and ESDC approved contracts with the 23 service providers, 12 of which are minority or women-owned or operated businesses. Scope of services, anticipated deliverables, and timelines were determined for each project based on each of the proposals submitted. Grant Disbursement Agreements were prepared and executed for each provider.

A group meeting of all 23 service providers was held to review the scope of services, program guidelines, and reporting requirements. In addition, two independent sessions to review the application process and requirements for the Business Recovery Grant Program and the Small Firm Attraction and Retention Grant Program were held for the service providers.

The TA program has made significant progress in providing a wide range of services needed by small businesses affected by the disaster. As of September 30, 562 small businesses with 3,973 employees have benefited from services provided through the TA program. Services provided by the TA program can be categorized as follows:

**--Technical Services** (Business needs assessment & grant or loan application information, completion, or submission). 362 businesses with a total of 2,303 employees benefited from technical services provided by TA program contractors. While the majority of businesses assisted were retailers, TA program beneficiaries represent a broad sample of industry sectors and range from fairly large small businesses to sole proprietors. Two examples illustrate this:

- With the help and direction provided by one of the service providers, a privately held full-service advertising agency announced it entered a lease for 20,500-sq. ft. at 30 Broad Street. The firm, which has been located in Midtown Manhattan since 1959, is the first advertising company to move to Lower Manhattan post-September 11.
- After a service provider performed a thorough financial assessment, helped complete a Business Retention Grant application, and coordinated a loan application with a financial lender, a Chinatown street vendor has a clearer vision for his business future. As a result, this particular street vendor hopes to purchase a new cart, or fix his old cart, and expand by purchasing more or different types of fruits for his cart(s).

– **Marketing for Businesses** (one-on-one efforts). Forty-one technology, service and retail businesses with a total of 324 employees were assisted with marketing efforts.

– **Outreach Efforts** (collaborative marketing and/or direct outreach to businesses). Although it is difficult to quantify the results, several of the service providers reached out to their respective constituencies with information on grant programs and services available to meet their needs. More extensive outreach efforts are planned.

- One successful collaborative marketing effort involved 2 service providers working together to recruit small businesses to participate in the Chinese Moon Festival - an event to revitalize the New York Chinatown business community by making Chinatown a destination for tourism.

– **Specialty Services** (legal, accounting, real estate services, referrals, etc.). 159 businesses with a total of 1,313 employees were assisted with legal counseling, accounting and real estate services and referrals. The majority of these businesses are garment manufacturers, services, and retailers.

– **Other Services:**

- **Online Mapping Service-** The project will strive to bring people downtown by making it easier to locate exact sites and services, thereby helping local businesses and cultural destinations achieve their recovery and redevelopment goals. The online service will provide thematic maps created automatically based on user input to show the locations of all sites of a particular category in a certain neighborhood or ZIP Code, or within a given distance from a building or subway stop.
- **Online Benefits Calculator and Real Estate Locator-** To increase the viability and number of small businesses located in Lower Manhattan, an online ‘calculator’ was created for small businesses to estimate immediately the benefits available to them from the major business assistance grant programs, creating a “one-stop” shop for office space and financial assistance. The new website, [www.downtownNYincentives.com](http://www.downtownNYincentives.com), is an interactive search engine providing estimated benefits of available business incentives, as well as to assist in locating available real estate in the area below 14<sup>th</sup> street.



**WTC Disaster Recovery Bridge Loan Program (BRIDGE)**

<b>Funds</b>	
Total Projected Budget	\$15,000,000
Total HUD Recovery Funds	\$15,000,000
Obligated HUD Recovery Funds to September 30	\$6,300,000
Unobligated HUD Recovery Funds to September 30	\$8,700,000
Cumulative HUD Recovery Funds Expended to September 30	\$0

In the early months following the attacks on the World Trade Center, many small businesses in New York City suffered serious economic dislocation and faced an urgent need to access capital to cover revenue shortfalls, operating expenses, physical damage and clean-up costs. Loans offered through the Small Business Administration (SBA) helped to meet these needs, but the lengthy process involved in obtaining an SBA loan required some method of gap financing. The BRIDGE Program filled this gap by offering interim financing for businesses that were in the process of applying for an SBA loan and waiting for a determination.

The participation of both larger commercial banks and community-based lenders ensured that a sufficiently large pool of low-cost capital would be available to meet the needs of borrowers. The loan loss reserve fund capitalized with a total of \$50 million by ESDC and EDC leveraged a roughly \$250 million lending pool for this program. By including both large commercial banks and the community-based lenders, the program ensured that a wide range of borrowers with very diverse credit needs could be assisted. By allowing lenders to originate, process and administer their own loan portfolios, borrowers were assured a much shorter time to disbursement of loans.

As of September 30, 2002, the WTC Disaster Recovery Bridge Loan Program (BRIDGE) had enabled the participating banks and Community Development Financial Institutions (CDFIs) to enroll a total of 950 loans in the program with a total loan value of \$31.5 million. The overall average loan size was \$33,158. Empire State Development Corporation (ESDC) and the New York City Economic Development Corporation (EDC) contribute 20% (10% each) of the total loan value to the loan loss reserve fund. As of September 30, total reserve funds were \$6.3 million.

As of September 30, three loans were in default but no funds have been drawn from the \$15 million allocation from the \$700 million federal appropriation. No decision has been made regarding whether the State or City will seek reimbursement for program expenditures.

**Job Creation and Retention Grant Program (JCRP)**

<b>Funds</b>	
Total Projected Budget	\$170,000,000
Total HUD Recovery Funds	\$170,000,000
Obligated HUD Recovery Funds to September 30	\$144,000,000
Unobligated HUD Recovery Funds to September 30	\$26,000,000
Cumulative HUD Recovery Funds Expended to September 30	\$0

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Businesses	200	0
# of Persons Benefiting	80,000	0

The Job Creation and Retention grant program (JCRP) targets businesses in the area of Lower Manhattan south of Canal Street with over 200 full-time employees that require assistance in maintaining, establishing or resuming a presence in Lower Manhattan or elsewhere in New York City. The program also aims to attract companies willing to commit to relocate and/or create 200 or more jobs in Lower Manhattan. Among these businesses are some of the world's largest financial services, business services, legal and professional services, and communications companies representing some of the largest employers in New York City.

The JCRP offers discretionary incentives to eligible key businesses through a process that involves a number of milestones: a review committee comprised of Empire State Development Corporation (ESDC) and NYC Economic Development Corporation (EDC) senior staff considers the recommendations made by project directors from the city and the state. Upon a favorable review, the review committee authorizes a level of financial assistance to offer an eligible company, based on a number of criteria. On accepting an offer, the company completes an application, the project is submitted to the ESDC board of directors for approval, a grant disbursement agreement is executed, and, after a payment requisition with supporting documents is submitted, the grant is disbursed to the company. The process itself reflects the longer time frame required by these larger firms to assess strategic needs before commitments can be made.

As of September 30, 2002, the review committee reviewed a total of 114 companies. Of these, a total of 105 were authorized to receive grants and 9 were deemed ineligible or withdrew from consideration. A total of 60 offers have been accepted (including those which have been approved by the ESDC board of directors), 29 offers are pending company decision, and 16 offers were declined by the companies. The total value of grant offers accepted was \$176,874,825, reflecting a commitment to retain and/or create a total of 58,129 jobs, of which 51,314 are located in Lower Manhattan. The average size grant accepted was approximately \$2.9 million and the median was \$656,000. The average grant per job for accepted offers was \$3,043.

The 29 offers pending company decision as of September 30 had a total value of \$125,529,000, reflecting a potential 64,977 additional retained and/or created New York City jobs, with 36,790 of these jobs located in Lower Manhattan.

As of September 30, ESDC directors had approved 32 grants for a total value of \$144 million. The 32 companies that will receive grants have committed to retaining or creating a total of 40,200 jobs in New York City, with 37,463 of these in Lower Manhattan. Included in the total of 40,200 jobs are 1,870 new jobs to be created in Lower Manhattan. The average value of grants approved was \$4.5 million, with a median of \$1,535,000. The average value of grant per job created or retained was \$3,582.

At the time of application, the 32 companies to receive grants reported that of the total existing jobs, 12,135 employees were low- and moderate-income earners, of which 4,354 of these were low-income earners. (Low income is defined as below \$31,400 per year and moderate income is defined as between \$31,401 to \$50,250 per year.)

The JCRP requires that employment at assisted firms be tracked for a minimum of 7 years, with the actual term determined on a case-by-case basis. For the 32 approved grants, as of September 30, 2002, the average period for tracking employment is 9.15 years.

As of September 30, none of the 32 approved grants had been disbursed, pending completion of grant disbursement agreements between the companies and ESDC or the submissions by the companies of payment requisitions and supporting documentation.

The Job Creation and Retention Program has made substantial progress toward meeting its program goals. As of September 30, the 60 grants accepted (including those approved by the ESDC Board of Directors) will contribute to the retention or creation of about 58,129 jobs, or 73% of the estimated 80,000 jobs in companies to be assisted by the program. If the 29 pending offers are accepted and approved, JCRP will help to retain or create a total of over 88,000 jobs in Lower Manhattan. As of September 30, the 32 approved projects alone will contribute to the retention and creation of 40,200 jobs, or 50% of the estimated 80,000 jobs in companies to be assisted by the program.

The \$700 million initial federal appropriation allocated \$170 million to JCRP. The accepted offers as of September 30, totaling nearly \$177 million, exceeds the initial program allocation of \$170 million. The final *Action Plan* anticipated a total program cost of \$400 million. Additional allocations will be necessary to support the commitments going forward. LMDC published a partial *Action Plan* on August 27, 2002, to allocate \$350 million as supplemental funds to three ESDC-managed programs, including \$124 million for the JCRP, \$150 million for the Business Recovery Grant program and \$76 million for the Small Firm Attraction and Retention grant program. The public comment period on the partial *Action Plan* closed on September 13, 2002.

New York State and City continue to face serious challenges in maintaining the presence of the large companies that are the anchors of disaster recovery and the revitalization of Lower Manhattan. Many firms are still evaluating losses and assessing strategic needs. JCRP assists these firms, where possible, in the assessment and planning process. As of September 30, JCRP grant commitments have contributed in many instances to a company's decision to remain, to relocate, or to consolidate operations downtown or elsewhere within New York City.

Three examples may offer insight into how assistance provided by the job creation and retention program made a difference in the decision of these firms to stay in Lower Manhattan and elsewhere in New York City and, thereby, contribute to the recovery of this vital commercial center:

**Aon.** Aon is a global corporation and leader in risk management, reinsurance, and human capital consulting. Aon had 1,151 employees at Two WTC on September 11 and 1,437 total in New York City. Since then the company has looked at a number of different real estate opportunities in downtown and midtown Manhattan as well as in New Jersey. Aon has accepted our offer of \$4.7 million to retain 1,437 jobs in New York City, 700 of which must remain in Lower Manhattan, for a period of ten years. The company will also be eligible to receive an additional \$600,000, or \$4,000/job, for the creation and maintenance of 150 additional jobs downtown. The total offer accepted by Aon is \$5.3 million.

**Euro Brokers.** Euro Brokers is a U.S. domestic and international inter-dealer brokerage providing quotation services for a broad range of products, including federal funds, cash deposits, swaps, derivatives, and foreign exchange. Its clients include many international banks, multinational corporations, investment dealers, institutional investors, and governments. Euro Brokers was located on the 84th floor of Two World Trade Center with 291 employees. The company lost 61 employees in the attack. Euro Brokers dispersed its operations immediately after the attacks, regrouping in temporary space provided by a client, Prudential Securities. They have decided to relocate permanently to 199 Water Street with their existing 250+ employees. The alternative was a site in New Jersey. Euro Brokers expects to reach a total workforce of 300 within a year and possibly add up to 100 jobs beyond that level within another three years, for a possible total of 400 employees. ESDC/EDC has offered Euro Brokers a total \$2.55 million grant if they reach the total workforce goal of 400 employees to be disbursed as follows: \$1.75M to retain 250 jobs for a period of ten years, another \$350,000 for the next 50 jobs added, and a final \$450,000 if they add the final 100 jobs. The funds will be pro-rated if the company achieves a portion of these jobs.

**Royal Bank of Canada/RBC Capital Markets.** RBC Capital Markets (a subsidiary of Royal Bank of Canada, which is headquartered in Toronto) was located at One Liberty Plaza with approximately 500 employees. The building was severely damaged on September 11th and RBC was forced to relocate its staff and operations to multiple sites in the metropolitan area, including a newly leased space in Purchase, Westchester County. Initially, RBC intended to expand that facility and place some New York City jobs in Westchester, plus, the company also seriously considered relocating its downtown operations in full to a new office facility in Jersey City recently vacated by another company. After considering the options and the offer of a \$3 million State/City grant from the JCRP program to retain 480 jobs for ten years, Royal Bank decided to return to One Liberty. Employees began moving back into the building in early 2002 (following repairs and renovations) and, at this time, almost all of the staff is back in place.

**Additional Compensation to Lower Manhattan Businesses (BRG2)**

<b>Funds</b>	
Total Projected Budget	\$5,000,000
Total HUD Recovery Funds	\$5,000,000
Obligated HUD Recovery Funds to September 30	\$3,034,854
Unobligated HUD Recovery Funds to September 30	\$1,965,146
Cumulative HUD Recovery Funds Expended to September 30	\$3,034,854

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Low/Mod Wage Earners & Proprietors	NA	0
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	NA	0
# Wage Earners/Proprietors	NA	0
# of Businesses	NA	15

The Additional Compensation to Lower Manhattan Businesses program (BRG2) targets businesses employing fewer than 200 people in one or more establishments on or south of 14<sup>th</sup> Street but more than 500 people nationwide. BRG2 offers assistance on the same terms and conditions as the WTC Business Recovery Grant Program (BRG). As of September 30, 2002, BRG2 had assisted more than 15 businesses, some with multiple establishments in Lower Manhattan, providing over 20 grants totaling \$3,107,742 in program funds disbursed. (Please note that the total grant amount as of September 30, 2002 reported in this narrative is different from the cumulative funds expended as reported for this period, reflecting a brief time lag between the actual disbursement by ESDC and its recording in the database from which this report is derived. In this reporting period, the total disbursement reported in this narrative exceeds the cumulative disbursement, reflecting actual disbursements that may have been returned to ESDC.) The average grant size for this program for the period was \$155,387. The total value of grants disbursed for the period represents 62% of the \$5 million allocated to the BRG2 Program.

Total direct employment at BRG2-assisted establishments in the eligible area during this period was 514, with an average number of 26 employees per grant recipient. Forty-nine percent of total employment at assisted establishments (or 251 wage earners and proprietors) were low- and moderate-income earners (defined as annual income up to \$50,250). Low-income earners (defined as less than \$31,400 per annum) reflected over 21% of total employment (or 110 wage earners and proprietors).

If performance measures are viewed by sub-areas within the eligible area, then most of the BRG2 program grants went to eligible grant recipients in the Restricted Zone and the area surrounding it south of Canal Street. These two areas are closest to Ground Zero where businesses suffered extensive economic dislocation. A total of 16 grants were disbursed to businesses in these two areas, with a total value of \$3,064,623, or 99% of the total program funds disbursed.

Like BRG, the BRG2 program also provided additional recovery funds to eligible businesses. Beginning in August, eligible businesses, including previous recipients of BRG2 grants, are now eligible for additional days of loss compensation. Eligible businesses located in the areas of 14<sup>th</sup> Street to Houston, Houston to Canal, South of Canal, and the Restricted Zone would now qualify for 3, 5, 7, and 25 days of gross revenues, respectively. This is an increase from the original program of 2, 3, 5, and 10 days in these areas, respectively. Grant amounts would still be limited by the zone caps and the businesses' estimated net economic loss. As of September 30, there were 2 supplemental BRG2 grants disbursed totaling \$21,628.

The BRG2 Program has helped to retain over 25% of the estimated 2,000 jobs at potentially eligible businesses in Lower Manhattan. Its progress complements the achievements of the main BRG program and should be viewed in this overall context. Together, these programs have provided grants to those small businesses that have suffered substantial economic dislocation or physical damage.

**Business Information Program (BIP)**

<b>Funds</b>	
Total Projected Budget	\$5,000,000
Total HUD Recovery Funds	\$5,000,000
Obligated HUD Recovery Funds to September 30	\$1,551,498
Unobligated HUD Recovery Funds to September 30	\$3,448,502
Cumulative HUD Recovery Funds Expended to September 30	\$0

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Businesses	100,000	50,000

The WTC Business Recovery Marketing Plan (“the Plan”) has budgeted an initial \$2 million of the \$5 million allocation to promote awareness of disaster recovery programs through marketing and outreach efforts. Phase I of the Plan has used a multi-media and multi-lingual approach to promote the two key business recovery programs currently available: the WTC Business Recovery Grant Program (BRG) and the Small Firm Attraction & Retention Grant Program (SFARG).

These efforts have been very successful in reaching a significant number of small businesses and providing effective means to promote the availability of assistance through these programs. As of September 30, 2002, key elements of the strategy implemented by the Plan have demonstrated significant progress:

- Web Sites— As of September 30, 2002, there were approximately 152,500 web hits accessing the *Action Plan* and program information and about 142,000 applications were downloaded for the BRG (including supplemental grants) and SFARG programs from the ESDC and EDC web sites, [www.nylovesmallbiz.com](http://www.nylovesmallbiz.com) and [www.newyorkbiz.com](http://www.newyorkbiz.com). The web sites have been important in allowing easy access to program guidelines, application forms, Q&As, maps of designated program areas, and other informational materials.
- Toll-Free Telephone Numbers-- As of September 30, 2002, over 69,000 calls were received at the two Call Center toll-free telephone numbers, 1 (800) I LOVE NY and 1 (866) 227-0458, that were set up immediately after the WTC attacks. Over the 3<sup>rd</sup> Quarter 2002, the volume of calls received increased as callers sought information about the expanded benefits available under the BRG program and on LMDC’s *Draft Assistance Plan* and later its partial *Action Plan* announcing the Residential Grant Program and the Employment Training Assistance Program. The Call Centers remain an important part of the Business Recovery Marketing Plan.
- WTC Business Recovery Centers— ESDC and EDC operate two separate walk-in centers located at 2 Rector Street and 140 William Street, respectively, to provide direct contact between businesses seeking assistance and program representatives. Applicants may also receive assistance in completing applications. Staff members at the Centers are fluent in Chinese, Spanish, French, German, Italian and Korean. As of September 30, 2002, there have been 22,221 visits to the walk-in centers.
- Print Advertising—WTC disaster recovery program information ads appear in the major NYC metropolitan area newspapers (New York Times, Daily News, New York Post, LI Newsday, World Journal-Chinese, and Hoy-Spanish) as well as several community newspapers. Intensified advertising activities were undertaken during the period July 15 through September 2, 2002, with 91 insertions in 10 publications. Work on Phase II ad campaigns post-September 11 anniversary

are underway. A separate ad campaign promoting the SFARG program and its expansion of eligibility to include businesses with fewer than 10 employees was undertaken at the end of July. These are designed for real estate publications and print ads targeting real estate executives, real estate brokers and agents.

In addition to print ads, BIP has developed an on-line advertising campaign to promote the SFARG program.

- Radio Ads—As of September 30, orders were placed for a 60-second radio spot with voice over. Over 700 air times on five major New York City AM stations (WABC, WCBS, WFAN, WINS, and WOR) were purchased for the radio spots which ran July 15-September 2, 2002.
- Direct Mail Postcards, Flyers and Posters—As of September 30, postcards advertising the availability of disaster recovery grants through the BRG and SFARG programs were mailed to 28,894 small businesses south of 14<sup>th</sup> Street with an additional 11,000 postcards that were mailed at a later date or distributed at the WTC Business Recovery Centers in Lower Manhattan.

In addition, 30,000 copies of a flyer and 2,500 copies of a poster were printed with information on BRG and SFARG for distribution by hand in a “walk-around” campaign which took place on July 2, and for placement in high-visibility locations such as banks, Post Offices, and community business organizations. Flyers and posters appear in Chinese, Spanish, and Korean, as well as in English. A follow-up direct mail postcard will be mailed to the remaining targeted audiences for BRG and SFARG that have not yet applied.

ESDC worked with Con Edison (utility company) to have information on the BRG and SFARG programs sent to over 20,000 businesses south of 14<sup>th</sup> Street.

ESDC and EDC staffs continue to coordinate speaking engagements at community organizations and business groups in Lower Manhattan to promote the disaster recovery programs and distribute applications and program materials. Press releases are provided to encourage the media to promote the recovery programs as well.



## **Lower Manhattan Development Corporation's Report - Overview**

The text that follows is drawn from the September 30, 2002, quarterly report and the original *Action Plan* LMDC submitted to HUD via the DRGR system. Most of the text was provided by LMDC, some was drafted for this report by HUD staff reviewers. Unlike ESDC, LMDC funded a variety of planning activities during the reporting period, so this section provides more detail in the planning and administration categories than was necessary for ESDC. The report covers grant activities up to September 30.

The *Accomplishment Measures* tables show data submitted in DRGR at the same time. Accomplishments data are only shown in the tables if LMDC has already expended HUD grant funds for the activity. LMDC is using the standard CDBG program definitions for "low" and "moderate" income families, individuals and households. For the Residential Location Incentive Grant program, LMDC is using the standard HUD income limits and defining the components of income using the IRS adjusted gross income definition.

The LMDC narratives that follow are:

- Overall Narrative of HUD Quarterly Report
- Residential Location Incentive Grants
- Interim Memorial
- WTC Employment Training Assistance Program (ETAP)
- Planning Activities
- Grant Administration and Outreach Activities

## LMDC Overall Narrative of HUD Quarterly Report

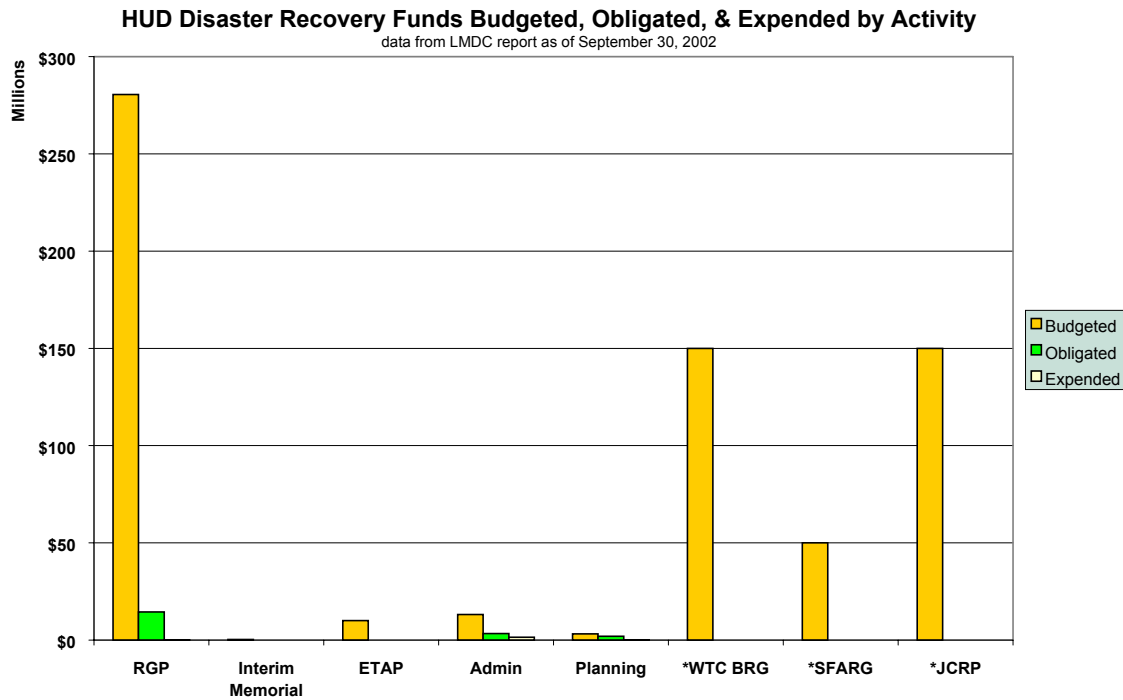
Funds	
Total Projected Budget	\$314,883,278
Total HUD Recovery Funds	\$305,892,500
Obligated HUD Recovery Funds to September 30	\$19,711,409
Unobligated HUD Recovery Funds to September 30	\$266,181,091
Cumulative HUD Recovery Funds Expended to September 30	\$1,627,312

With HUD funding, LMDC is coordinating long-term plans for Lower Manhattan and pursuing initiatives to make the area a vibrant 21<sup>st</sup> century community for residents, businesses, commuters, and visitors. LMDC is also working to rebuild the World Trade Center site and to create a permanent memorial for the victims of September 11. A transparent and open public process guides LMDC's ongoing planning efforts.

Governor Pataki and then-Mayor Guiliani created the Lower Manhattan Development Corporation in the aftermath of September 11<sup>th</sup> to coordinate the rebuilding of the World Trade Center site, the revitalization of Lower Manhattan south of Houston Street, and the creation of a fitting memorial. Congress appropriated \$2 billion through this grant to fund LMDC initiatives.

In the *Action Plan*, this is how LMDC summarized needs in Lower Manhattan:

The World Trade Center attacks resulted in a staggering loss of life and extensive physical destruction to Lower Manhattan. Approximately 30 million square feet of commercial space was damaged or eliminated, and seven buildings in the World Trade Center site were completely leveled. Critical transportation infrastructure was disrupted or obliterated, including the PATH station, the 1/9 subway line and sections of Route 9A and Church Street. Vehicular access to the area south of Canal Street was prohibited for seven days. As a result of the tragedy, residential occupancy rates in the immediate region dropped to 60%, over 100,000 jobs were displaced, and small and large businesses struggled to maintain viability.



*Note:* The starred activities in the chart above (WTC BRG, SFARG, and JCRP) represent activities from an LMDC partial *Action Plan* submission approved by HUD during the drafting of this report. LMDC is granting funds for these activities to ESDC, to supplement ESDC's ongoing programs.

### Residential Location Incentive Grant Program

Funds	
Total Projected Budget	\$280,500,000
Total HUD Recovery Funds	\$280,500,000
Obligated HUD Recovery Funds to September 30	\$14,447,132
Unobligated HUD Recovery Funds to September 30	\$266,052,868
Cumulative HUD Recovery Funds Expended to September 30	\$84,029

Accomplishment Measures	Expected	Cumulative to Date
# Properties	1,500	0
# of Low/Mod Households Benefiting	12,500	0
# Low-income Households Benefiting	8,400	0
# of Total Households Benefiting	38,000	0
# of Businesses	10	0
# of Non-business Organizations Benefiting	N/A	0

June 7, 2002, Governor George E. Pataki and Housing and Urban Development Secretary Mel Martinez announced the approval of LMDC's Residential Grant Program (RGP). August 15, 2002, LMDC announced the availability of applications for the \$281 million RGP. Over 100,000 applications have been distributed throughout the Lower Manhattan area at over 100 locations including community centers, elected officials offices, Community Board offices, senior centers, residential developments, libraries, and at two full service LMDC Residential Grant Program Community Offices located in Tribeca and Chinatown.

LMDC continues to expand its outreach campaign and is working with landlords, co-op and condo boards, media, and local community organizations to ensure that all residents, potential residents, and owners are aware of the program. Over 18,000 applications have been downloaded from the LMDC web site [www.RenewNYC.com](http://www.RenewNYC.com). LMDC opened a multilingual hotline (1-866-RenewNYC) to answer questions about eligibility for the program, the status of applications and recertifications, and other issues. This hotline operates Monday through Friday from 9:00 AM to 5:00 PM.

LMDC provides multiple ways for residents to apply for RGP assistance. Applicants are able to mail in applications, apply via the hotline, make appointments at the Chinatown office at 225 Park Row or the Tribeca office at 68 Reade Street to meet with an eligibility specialist and receive help in filling out the application, or give their applications to the Mobile Application Teams. Mobile Application Teams including local residents and multilingual staff conduct outreach in key neighborhoods and buildings. These teams continue to drop off thousands of applications to residents, hold information sessions, assist in filling out the forms, answer questions, and collect completed applications.

All of LMDC's RGP services, including the web site, hotline, offices, and Mobile Application Teams, provide all services in English, Chinese, and Spanish. LMDC has also hired a not-for-profit organization to provide services to individuals who speak other languages.

To minimize the risk of loss from fraud, LMDC has retained a compliance auditor and investigative team, which operate a fraud prevention hotline and other initiatives. The fraud prevention hotline number is 1-866-830-9131. Staff at RGP Community Offices have been fully trained on fraud recognition procedures and are able to contact the investigative team as necessary. The New York City

Department of Investigation is also actively involved in the fraud prevention campaign, working closely with LMDC's compliance auditor and coordinating with law enforcement, if necessary.

LMDC has created a building eligibility database in partnership with New York City's Department of Buildings, Department of Housing Preservation and Development, Department of City Planning, Department of Finance, and Department of Information Technology and Telecommunications. This comprehensive database matches applications to Zones 1, 2, and 3, and determines eligibility of buildings based on legal residential status and conformity to health, safety, and habitability criteria.

LMDC is approving applications on an ongoing basis. Three hundred and thirteen applications were approved in late September and checks were issued in October 2002. Of the 313 approved applications representing \$625,000 in grants, LMDC will distribute 270 September 11 Grants, 213 2-Year Grants, and 40 Family Grants. More than half of the grants are going to applicants with low income. Over one-third of the grants in the first distribution will go to senior citizens in the Lower East Side and Chinatown area as a result of an initial outreach campaign launched by the not-for-profit organization that manages the RGP Chinatown Community Office.

LMDC will continue to process applications in order of date received. If applications are missing information, LMDC will contact residents to complete the paperwork. No application will be denied solely because required information was not initially submitted. LMDC will continue to issue approval letters after quality controls including fraud prevention measures and confirmation of building eligibility are applied to each application.

There has been a positive response to the LMDC RGP. Over 15,000 applications have been received through the end of the report period. These applications represent both residents that lived here prior to September 11, 2001 and remain committed to the area, families making Lower Manhattan their home, and new residents making two-year commitments to Lower Manhattan. Since the RGP was first announced in February, there has been a tremendous resurgence of interest in moving to Lower Manhattan, which is reflected in the increase in residential occupancy rates. For example, the occupancy rate of Battery Park City was 60 percent after the attack, rose to 74 percent shortly after the announcement of the draft plan, and is now around 95 percent. The new and renewed commitment of residents to the area, despite the disaster, provides a strong foundation for the revitalization of Lower Manhattan.

## Interim Memorial

Funds	
Total Projected Budget	\$350,000
Total HUD Recovery Funds	\$350,000
Obligated HUD Recovery Funds to September 30	\$0
Unobligated HUD Recovery Funds to September 30	\$350,000
Cumulative HUD Recovery Funds Expended to September 30	\$0

Accomplishment Measures	Expected	Cumulative to Date
# of public facilities	1	0

March 11, 2002, LMDC joined Governor Pataki, Mayor Bloomberg, former Mayor Guiliani and families of many who perished at the World Trade Center in a moving ceremony to unveil the interim memorial. The centerpiece of the memorial is "*The Sphere for Plaza Fountain*," a monument to fostering world peace that sat atop a granite fountain in the center of the 5-acre World Trade Center Plaza. *The Sphere* was commissioned by the Port Authority and created by sculptor Fritz Koenig in 1971. The attack September 11<sup>th</sup> transformed *The Sphere* in an icon of hope. Although it sustained a large gash through its center, it remained structurally intact and was one of the few public art treasures at the World Trade Center that could be recovered. The Parks Department estimates that approximately 300 visitors per day visit the memorial.

LMDC used the New York City Department of Design and Construction as a subrecipient to prepare *The Sphere* and the site and to install the sculpture and related landscaping. The interim memorial is installed in a section of historic Battery Park known as Eisenhower Mall, near Bowling Green and adjacent to Hope Garden. The work is complete but LMDC has not yet drawn grant funds to reimburse its expenses for the activity. For additional information and pictures of the interim memorial, refer to <http://www.renewnyc.com/memorial.htm>.

### WTC Employment Training Assistance Program (ETAP)

Funds	
Total Projected Budget	\$10,000,000
Total HUD Recovery Funds	\$10,000,000
Obligated HUD Recovery Funds to September 30	\$0
Unobligated HUD Recovery Funds to September 30	\$10,000,000
Cumulative HUD Recovery Funds Expended to September 30	\$0

Accomplishment Measures	Expected	Cumulative to Date
# of Persons Benefiting	3000	0
# of Businesses	100	0

The WTC Employment Training Assistance Program (ETAP), established by the Empire State Development Corporation (ESDC), in cooperation with the Lower Manhattan Development Corporation (LMDC) and the New York City Economic Development Corporation (EDC), provides assistance to small businesses and not-for-profit organizations to offer training opportunities to their employees in Lower Manhattan. LMDC allocated an initial \$10 million to ETAP from the \$2 billion federal appropriation made available through HUD. (In CDBG terms, ESDC is LMDC's subrecipient to carry out this activity.) The ESDC Board of Directors authorized ETAP on August 1, 2002. As of September 30, program *Guidelines*, *Application Forms*, and *Frequently Asked Questions* were developed and posted on the ESDC web site <http://www.nylovessmallbiz.com> and the EDC web site <http://www.newyorkbiz.com>. These were also made available at the WTC Business Recovery Centers at 2 Rector Street and 140 William Street in Lower Manhattan. ETAP is in its early stage of implementation and, as of September 30, had not yet received applications for assistance. Extensive outreach efforts are underway to provide information on the program through presentations at workshops targeting small businesses, business associations, and community-based organizations in Lower Manhattan. In addition, ESDC is encouraging eligible technical assistance providers under contract with the Technical Assistance Services Grant Program, funded through the \$700 million federal appropriation to ESDC, to apply for ETAP assistance for their training programs. Inquiries received by ESDC and EDC about ETAP have indicated a strong interest by small businesses and not-for-profit organizations to apply for training assistance as consortia of employers or training sponsors.

## Administration and Planning Activities

Funds	
Total Projected Budget	\$15,042,500
Total HUD Recovery Funds	\$15,042,500
Obligated HUD Recovery Funds to September 30	\$5,264,277
Unobligated HUD Recovery Funds to September 30	\$9,778,223
Cumulative HUD Recovery Funds Expended to September 30	\$1,543,283

In the *Action Plan*, LMDC budgeted \$15,042,500 for planning and administrative activities. Of this total, \$13,140,578 is currently budgeted for administrative activities and \$3,267,000 for planning. At HUD's request, the quarterly reports provide additional detail, breaking down uses of funds by major planning project or administrative category. (For this grant, HUD capped expenditures for planning and administration funds in the grant agreement at 5% of the grant.) In future, additional planning detail may be broken out from the general administration category. This quarterly report shows planning activities in the following categories:

- **Design Concepts** - LMDC released six initial urban design concepts for the World Trade Center site, and is currently working with seven urban planning firms to develop additional proposals. In addition, LMDC issued a *Request for Qualifications* to retain one or more firms to act as a house consultant for urban design to provide proposals for urban design concepts in areas surrounding the World Trade Center site and Lower Manhattan.
- **Environmental Counsel and Consulting** - LMDC has retained legal counsel and sought advice on environmental and/or land use requirements and matters. LMDC will use the services of an environmental consultant for the review of planning and development proposals, and the preparation of environmental reports based on applicable laws and regulations.
- **Retail and arts/entertainment consultant** - LMDC has issued a *Request for Proposals* to retain a retail and arts/entertainment consultant to propose a broad range of initiatives along the Fulton corridor, defined roughly as the area between Liberty and Ann Streets, from the World Financial Center site to the South Street Seaport.
- **LMDC general planning** - LMDC carries out general planning activities associated with rebuilding and revitalizing Lower Manhattan. These activities include conducting studies, data gathering, and preparing plans. To date, the LMDC has assisted in the development of urban design concepts for the World Trade Center site, and solicited proposals to retain consultants to conduct a housing study, a retail demand study and to develop additional World Trade Center designs. Additional planning activities include traffic studies and architectural design proposals for building on or surrounding the World Trade Center site.
- **Economic Impact Consultant** - LMDC currently uses the services of an economic impact consultant to assist in the evaluation of programs or projects to be funded through CDBG funds.

The CDBG activity "administration" consists of several categories. It may include expenditures for a variety of administrative tasks, such as general grant management, oversight, and coordination; reporting to HUD; and citizen participation and public information. In many communities, the administration category primarily includes salaries and related expenses for grantee staff and is not broken out into categories for HUD. LMDC plans to include detail in the quarterly report for certain



projects carried out with partners or through contractors. This quarterly report shows two administration activities:

- **Listening to the City** - The Listening to the City II Program is a public interactive forum held on July 20 and 22, 2002 at the Jacob Javits Convention Center in New York City. To ensure the broadest participation possible special efforts were made to reach out to all of the various stakeholders and communities that were affected by the World Trade Center attacks. Participants represented residents and workers, survivors and families of victims, emergency and rescue workers, business and property owners, citizens and civic leaders, and commuters from the five boroughs, as well as suburban New York and New Jersey. They reflected considerable age, income, ethnic, racial, geographic, and gender diversity as well.

The Listening to the City events enabled people from the entire New York metropolitan area to participate in the public dialogue regarding the future of the World Trade Center site and adjacent areas and the creation of a fitting memorial. Approximately 4,500 people attended the Listening to the City events. Participants in these forums came from all over the region and represented a variety of backgrounds. In addition to reviewing and discussing the six concept plans for the World Trade Center site and adjacent areas, participants were asked to discuss a variety of issues related to Lower Manhattan and its revitalization. The participants were also asked to provide comments on the draft Memorial Mission Statement. The event on July 20th was the largest public urban planning dialogue of its kind in history. Another 800 people participated in an on-line dialogue held between July 29, 2002 and August 12, 2002.

- **General Administration** - LMDC maintains a staff and office space to carry out its planning and community development activities, including general management, oversight, monitoring and coordination. In addition, LMDC provides local officials, businesses, and citizens with information about programs. General administrative activities are centralized in LMDC's office at: One Liberty Plaza, 20th floor, New York, NY, 10006, and cover activities within Lower Manhattan.

## Supplementary Data

**Supplementary Databases.** ESDC provided HUD a copy of its grant management database for the period from the start of grant activities until September 30. These data represent information down to the applicant level and include topics not covered in DRGR reports, such as race and ethnicity information for direct benefit activities, and North American Industrial Classification System (NAICS) code information for assisted businesses. LMDC provided a copy of grant management databases for the Residential Grant program for the period from inception of the program until October 25, 2002. These data also provide information down to the applicant level and include race, ethnicity, outreach effectiveness, language and building eligibility information. HUD program staff use these information resources for remote monitoring of the grant programs and to provide supplemental summary information for these reports to Congress.

The data introduced below primarily relate to the Business Recovery Grant and Residential Location Incentive Grant programs. These are the two largest activities underway to date.

**Reporting Jobs By Wage Band.** ESDC is carrying out all its activities under the “Urgent Need” national objective of the CDBG program. This means program rules do not require that business assistance activities result in the creation or retention of jobs for low- and moderate-income persons. To provide a measure of performance resulting from economic development activities, ESDC still collects and reports data on jobs assisted, including information on the salaries earned in jobs created or retained as a result of the grants.

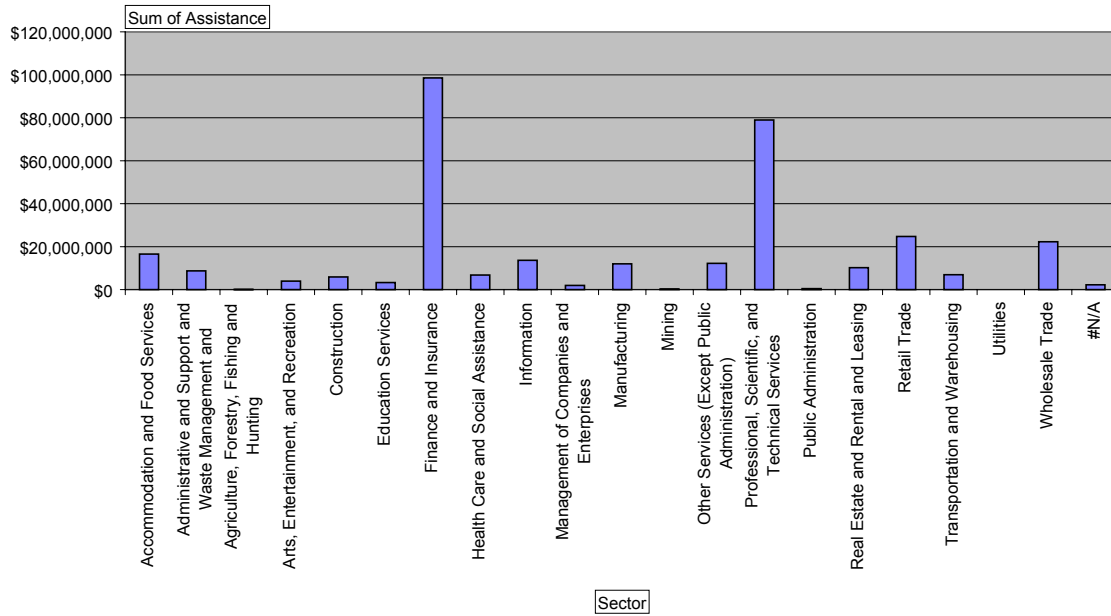
In published waivers and alternative requirements, HUD eased income-reporting requirements to allow ESDC to collect job data based on the “wage band” of individuals hired rather than based on the income status of the entire household. (The latter approach is used throughout the regular CDBG program.) ESDC used HUD’s section 8 family income limits for New York City to set the salary range limits for wage bands called “low”, for earning levels at or below the limit for families earning 50% of median income, “moderate”, for earning levels at or below the limit for families earning 80% of median income, and “Above moderate”, for earning levels above the 80% limit.

This modified income collection method cannot be directly compared with other CDBG and HUD income data based on household and family income. Obviously, some of the jobs created by ESDC and reported in *low* or *moderate* categories could be held by people whose households include another wage earner with a significantly higher income. Still, and unexpectedly, the data do show the BRG program resulting in a significant amount of job creation and retention activity in the lowest income-earning categories. This point is significant because it means the BRG program is assisting at least some of the populations that HUD’s experience with disaster recovery shows have the greatest difficulty recovering from the economic effects of disasters.

**Business Recovery Grants (BRGs) by Industry Sector:** The two charts below show summaries of data related to the small businesses approved for assistance under the BRG program by two-digit NAICS sector. The first chart shows the amount of assistance approved by sector. The two prominent sectors in this chart are *Finance and Insurance* and *Professional, Scientific and Technical*. The second chart shows the number of jobs reported created or retained by sector. The *Professional, Scientific and Technical* sector show the most jobs, followed by *Retail Trade*, *Finance and Insurance*, and *Accommodation and Food*.

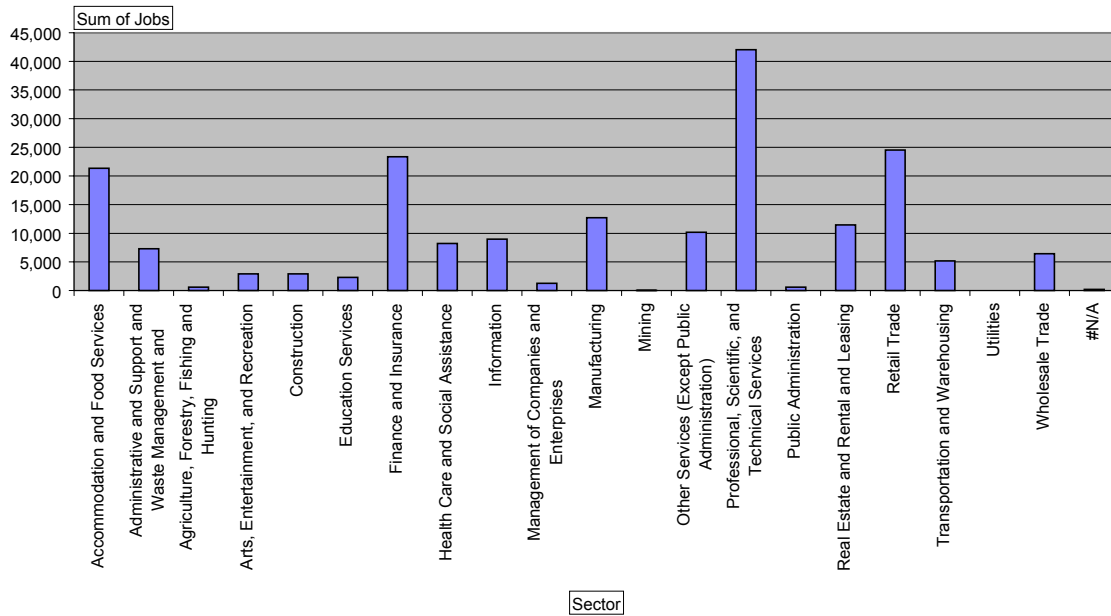
### ESDC BRG Assistance Approved By NAICS Sector

data as of September 30, 2002



### ESDC BRG Jobs By NAICS Sector

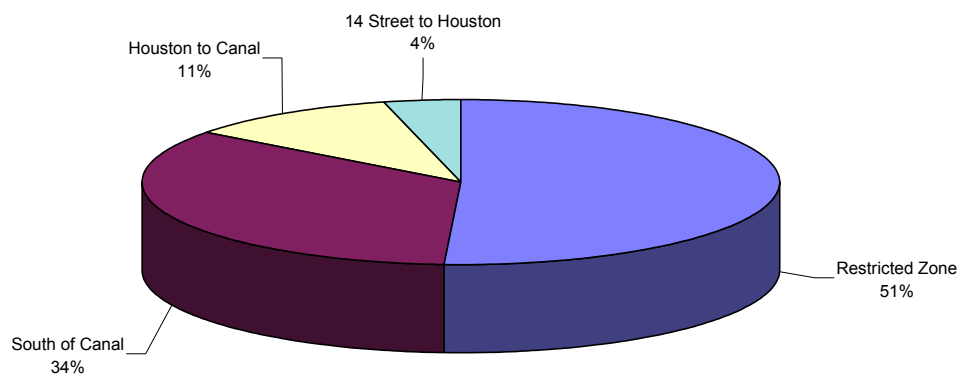
data as of September 30, 2002



**BRG Funding, Jobs, and Estimated Economic Loss by Zone.** The chart below shows the pattern of BRG funding approvals by geographic area. About half the funding is concentrated into the area closest to the World Trade Center site and the bulk of the remainder is applied to the next closest area. All funding is going to businesses with a presence in Lower Manhattan. The second chart shows the distribution of jobs created and retained by this assistance. The third shows the distribution of estimated economic loss represented by approved BRG applications.

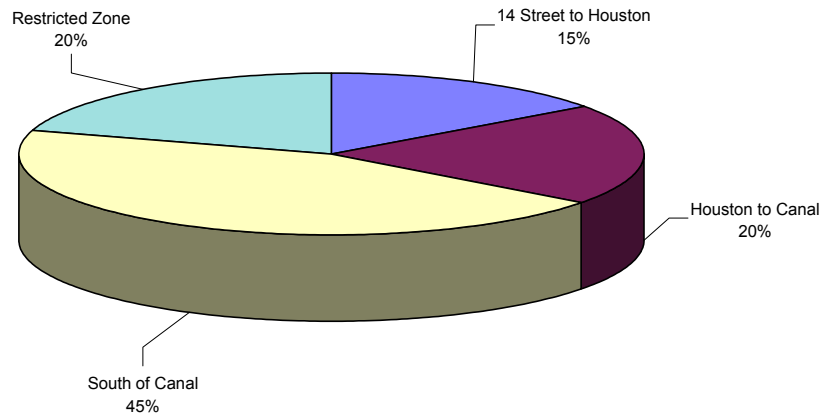
**Amount of BRG Funding Approved By Zone**

data from ESDC as of September 30, 2002



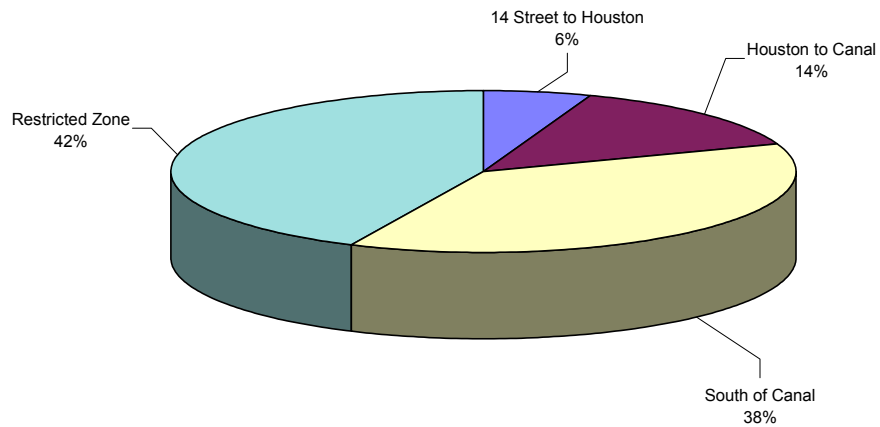
### BRG Approvals: Jobs Created and Retained By Zone

data from ESDC as of September 30, 2002



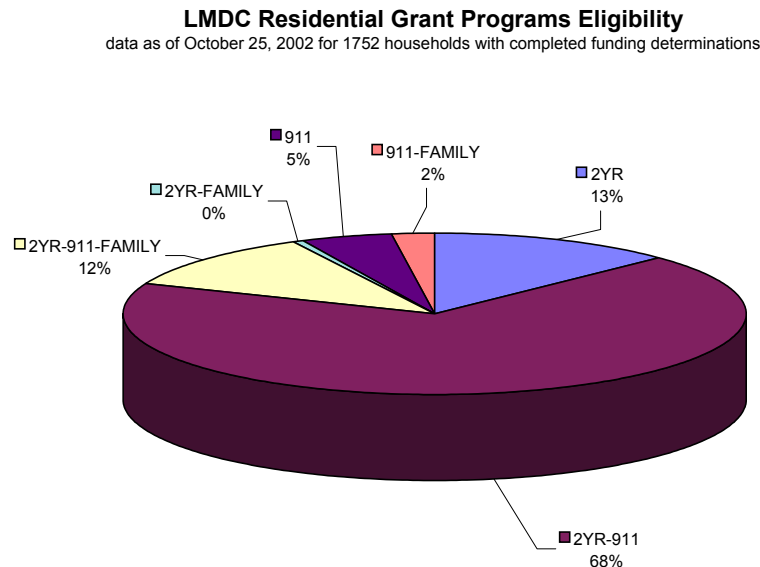
### Estimated Economic Loss by Zone

data from ESDC as of September 30, 2002, drawn from BRG applications



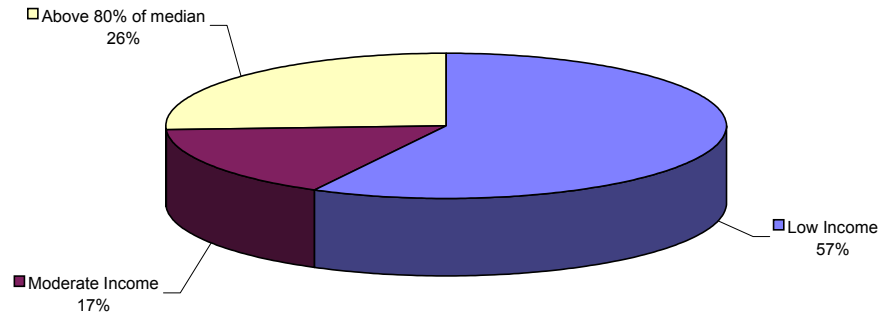
**LMDC Residential Grant Program (RGP).** These data provide a snapshot that does not completely match the DRGR narratives because the timeframe is slightly different. LMDC supplied this database to HUD with data current as of October 25, 2002, about a month later than the DRGR data, drawn September 30, 2002. Both data sources show cumulative data from the beginning of grant activity.

The first chart shows the distribution of RGP grants by type and combinations of type. The 2YR grant provides an incentive of varying amount based on zone to residents who pledge to reside in their housing unit in Lower Manhattan for two years. To be eligible for the 2YR grant, residents must live in Zones 1 or 2, which are closer to the WTC site, south of Canal Street and southwest of Rutgers Street. The 911 grant is \$1000 for households who lived in Zones 1, 2, or 3 in Lower Manhattan as of September 11, 2001, and who have remained. The *Family* grant is up to \$1,500 for each family who pledges to reside in the area for at least one year. The chart shows the grant or combination of grants for which households qualified. For example, the chart below shows that 68% of the 1752 households determined eligible for the grant as of October 25, 2002, qualified for the 2YR and 911 grants, but not for the *Family* grant.



The second chart shows the distribution of individuals by reported household income. The HUD analysts caution that the data are not completely comparable to standard CDBG reporting for residential activities because the database counts each individual separately based on household income, rather than simply counting each household once. HUD will continue to refine its analysis of the data until summaries can be presented in a CDBG-standard manner. For now, one can still observe clearly that the largest number of individuals included on RGP applications are members of low- and moderate-income households.

**Income Categories Reported on LMDC Residential Grant Program Applications**  
data as of October 25, 2002 for 21,000 individuals

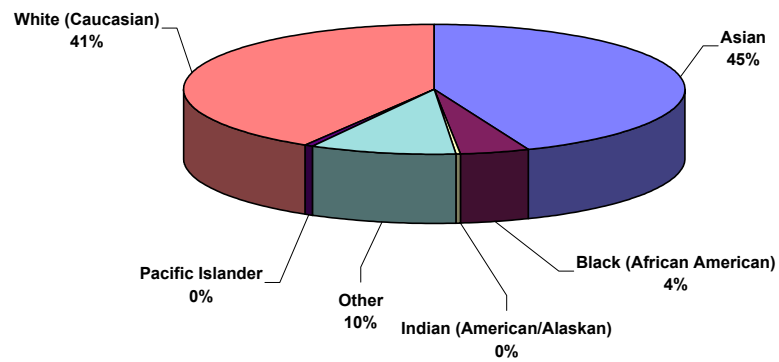


**Other Demographic Data.** The WTC supplemental databases are the first CDBG data sources to provide race and ethnicity data for beneficiaries using the new categories required by OMB. The BRG program data are incomplete because, in the immediate rush to make funds available as soon as possible following the disaster, questions regarding the race and ethnicity of employees were not included in the initial applications. Some data are available from the point in time after these questions were added, but HUD does not believe the charts from this data are useful tools yet. LMDC's RGP program included race and ethnicity of the head of household on the application from the inception of the program. The birth date and gender of the head of household are also available, as are the ages and genders of children. LMDC also records the language of the RGP application, which is offered in English, Spanish and Chinese.

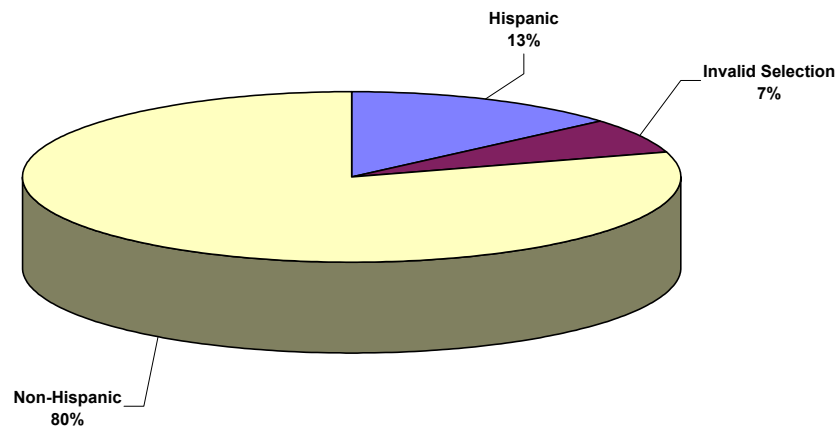
The new OMB guidance for race and ethnicity mandates that grantees allow applicants to select more than one race category. The RGP application allows this, but the database does not yet break out selections showing combinations of race categories. LMDC is correcting this. In the meantime, the data do show one race per head of household.

The second chart shows the ethnicity (Hispanic or Non-Hispanic) response indicated by the head of household. An *Invalid Selection* is recorded in the database when an applicant writes in a response other than Hispanic or Non-Hispanic.

**LMDC RGP Head of Household Race**  
data from LMDC as of October 25, 2002 for >15,000 households

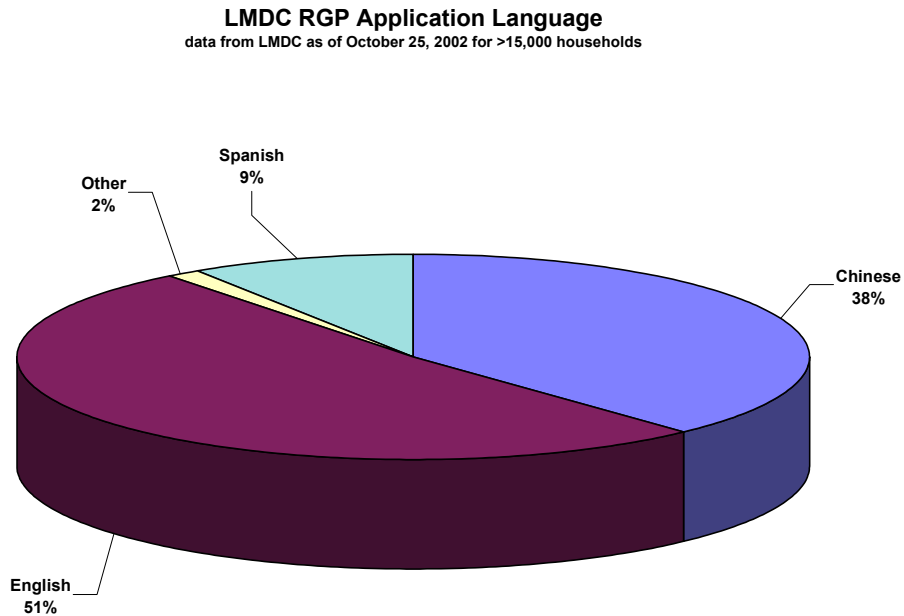


**LMDC RGP Head of Household Ethnicity**  
data from LMDC as of October 25, 2002 for >15,000 households





The RLI program also records the language of the original application for assistance. All applications must be completed in English, but they are provided in three languages: English, Spanish, and Chinese.

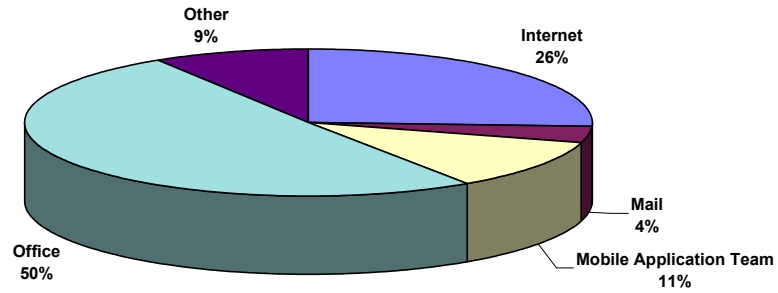


**Outreach Effectiveness.** On the application, each RPG applicant indicates where he/she got the application. The RPG database tracks this to help LMDC determine the effectiveness of its community outreach and modify its approaches as the data may indicate. LMDC has provided for applicants to get applications from LMDC's web site or from Lower Manhattan.info, from walk-in offices in Lower Manhattan, via the mail, or from mobile application teams who regularly drive through neighborhoods to provide applications and to help applicants complete them.

Applicants also indicate on the RPG application where they heard of the RPG program. The second chart below shows a summary of the responses to this question. Clearly, the program is generating some "word of mouth" advertising through networks of friends and family members.

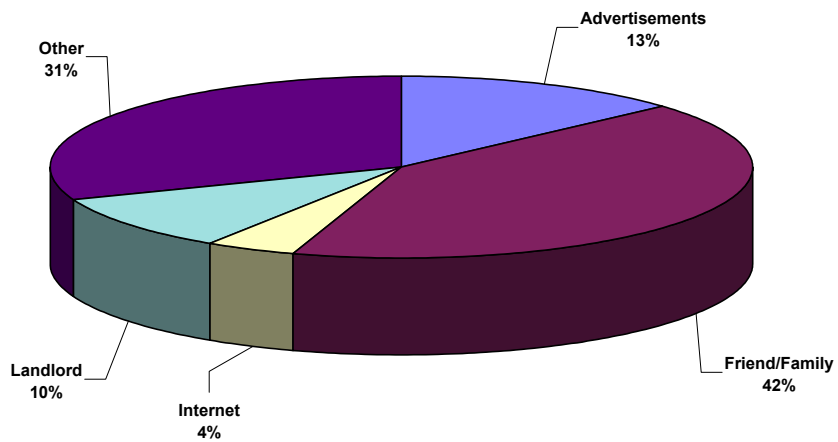
### LMDC RGP Application Source

data from LMDC as of October 25, 2002 for >15,000 households



### Where Applicants Heard of RGP

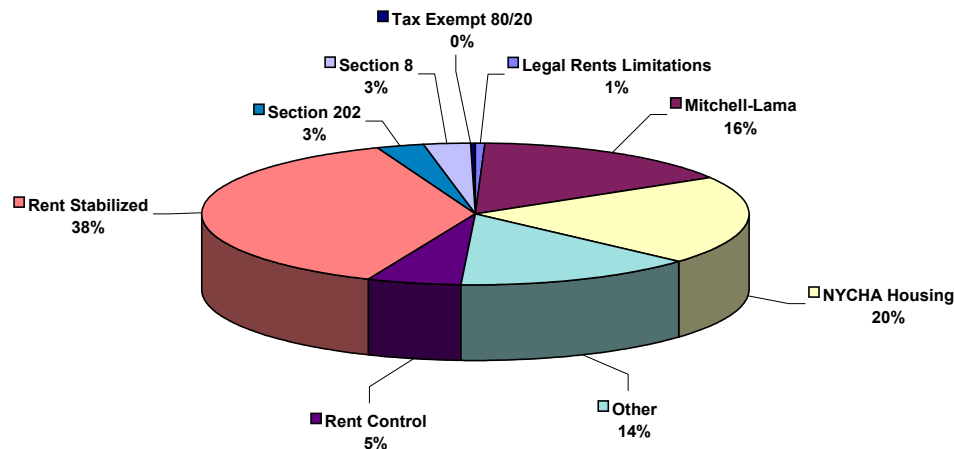
data from LMDC as of October 25, 2002



**Rent Restrictions.** The housing rental market in New York includes units operating under a variety of rent regulation programs. LMDC designed RPG eligibility documentation specifically to avoid creating barriers to tenants covered by special rent requirements, such as public housing units and Mitchell-Lama buildings. Where the applicant indicates living in a unit with rent regulation, the database captures the specific program.

### LMDC RGP Rent Limit Categories

data as of October 25, 2002 for households indicating rent limits

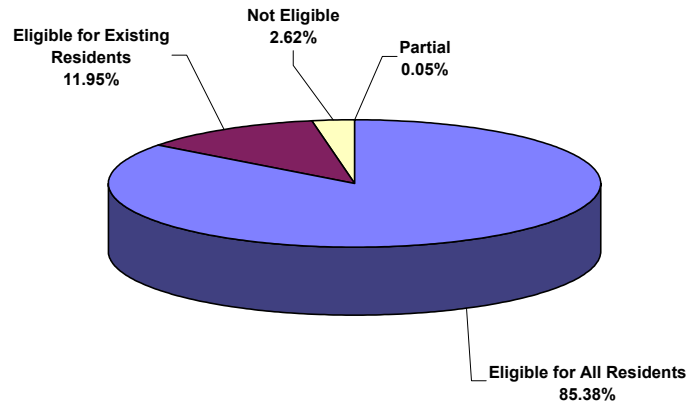


**Structure database.** For the RPG program, LMDC also contracts for a database with details about structures in Lower Manhattan. This database is compiled from multiple city and state sources and is constantly changing based on input from program staff (who walk through the area verifying information) and based on regular updates from the organizations providing status information about buildings.

LMDC wants to know the condition of the residential structures RPG recipients will live in because it does not want to require applicants to pledge to live two years in a specific unit in Lower Manhattan unless the unit the applicant is leasing meets minimal housing quality standards. Further, HUD would question the reasonableness of an expenditure for housing that bound a tenant to an unsafe unit as a condition of receiving the funds. So, LMDC designates buildings or parts of buildings eligible based on specific criteria. Some buildings meet all habitability requirements and any tenant, new or existing, may receive RPG payments upon completing eligibility review. Some buildings or parts of buildings have violations but are still minimally habitable. In these buildings, existing tenants may receive RPG payments, but no new tenants will qualify until the violations are addressed. Other buildings or parts of buildings are ineligible for any tenants because they suffer from a serious health and safety violation or violations. The design of the program may create incentives for landlords to address violations so that they can take advantage of the flow of potential tenants seeking to participate in the RPG program. The chart below shows the status of buildings in the database as of October 24, 2002.

### LMDC RGP Building Status

data from LMDC as of October 24, 2002



### RGP Ineligible Buildings

Ineligibility Reason	Number of Buildings
Building is not a legal residential building	132
Dept of Buildings Outstanding Hazardous Violations	1,443
Dept of Buildings Vacate Order	6
NYC Fire Department Vacate Order	69
NYC Fire Department Outstanding Violations	116

Note: Some buildings may have more than one violation  
data from LMDC as of October 24, 2002

## **Program Requirements**

Chapter 13 of division B of the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002 (Public Law 107-117, approved January 10, 2002) appropriates \$2.0 billion in Community Development Block Grant funds and makes applicable the first six provisos of section 434 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2002 (Public Law 107-73, approved November 26, 2001). Section 434 provides for the use of CDBG funds made available from the Emergency Response Fund by the fifth proviso under the 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (Public Law 107-38, approved September 18, 2001) to New York State for properties and businesses damaged by, and economic revitalization related to, the September 11, 2001, terrorist attacks on New York City. Prior to the \$2.0 billion appropriation, \$700 million was made available from the Emergency Response Fund. The third proviso of section 434 authorizes the Secretary to waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the obligation by the Secretary or use by the recipient of these funds, except for requirements related to fair housing, nondiscrimination, labor standards, and the environment.

Other requirements include the Housing and Community Development Act of 1974, as amended, and the portions of 24 CFR Part 570 dealing with the state program, except as waived or replaced with alternative requirements by *Federal Register* notices 67FR4164 published January 28, 2002; 67FR5845 published February 7, 2002; 67FR12042 published March 18, 2002; and 67FR36017 published May 22, 2002.